

## Tools for Retirement: Does an annuity suit your needs?

*Annuities can provide a steady income after retirement and can be beneficial, but they can also be confusing. The information below provides some basic information about annuities. Please review this information carefully to determine if it is right for you.*



### **Fundamentals of an Annuity**

An annuity is a contract in which an insurance company agrees to make a series of payments in return for a premium (or premiums) that you have paid. Many consumers buy annuities so that they will have a regular income after they retire. An annuity is an investment and shouldn't be used to reach a short-term financial goal. Buying an annuity may or may not be right for you. Contact a licensed agent or broker to be sure an annuity is the right choice for your financial future. If you have questions regarding retirement planning, you should consult a reputable financial planner to make sure you are on target to meet your goals.

There are several types of annuities, all of which carry varying levels of risk and guarantees. To find the annuity that will best suit your needs, it is important to know the difference between each and the benefits offered.

*Single Premium Annuity:* You pay the insurance company only once.

*Multiple Premium Annuity:* You pay the insurance company multiple payments.

*Immediate Annuity:* You will begin to receive income payments no later than one year after you pay the premium.

*Deferred Annuity:* After the initial savings phase, you receive income payments once you choose to receive them.

*Fixed Annuity:* Your money, minus any applicable charges, earns interest at rates specified in your contract.

*Variable Annuity:* The insurance company invests your money, minus any applicable charges, into a separate account based upon the amount of risk you want to take. The money can be invested in stocks, bonds, or other investments.

*Equity-Indexed Annuity:* A variation of a fixed annuity in which the interest rate is based on an outside index, such as a stock market index. The annuity pays a base return, but it may be higher if the index increases.

### **Buying an Annuity**

South Carolina regulations require a suitability analysis before the sale or replacement of any annuity product. This analysis includes an evaluation of your financial position, income needs and the cost of liquidating any assets. This can help you determine which annuity is

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right for you. You can also contact the South Carolina Department of Insurance to get a list of the information your agent or broker should provide before you make a decision.

As with other major purchases, it's a good idea to shop around and compare information for similar products from several companies. While you do your research, keep detailed records and get all quotes and key information in writing.

When you are ready to purchase an annuity, carefully review the contract with your agent or broker. Ask for an explanation of anything that you don't understand. Be sure you are aware of all of the terms and conditions such as surrender charges and/or cancellation penalties.

South Carolina requires a "free look" period, or a set number of days to review the annuity contract after purchase. If you decide during that time that you no longer want the annuity, you can cancel for a full refund. The free look period will be prominently stated on the front cover of your contract.

### **Don't Be Pressured**

Unfortunately, some insurance providers use inappropriate sales practices in an attempt to take advantage of uninformed consumers. Some common red flags include relentless sales pitches that pressure you into buying a product quickly or a deal that seems too good to be true. The best way to protect yourself is to research the agent and company you're considering:

**STOP** before writing a check, signing a contract or giving out personal information.

**CALL** The South Carolina Department of Insurance and,

**CONFIRM** that the agent and company are licensed to write insurance in South Carolina.

### **More Information**

The Department's Office of Consumer Services also has extended call-in hours Monday-Thursday, 8:00 a.m.-6:00 p.m. and maintains regular hours on Friday (8:30 a.m. - 5:00 p.m.). Consumers may reach an analyst by calling 1-800-768-3467 or by visiting our website, <http://www.doi.sc.gov/>

Additionally, The National Association of Insurance Commissioners (NAIC) and Insure U has additional resources for consumers preparing for retirement, Please visit the Insure U site, <http://www.insureuonline.org> for more information.